UNITED STATES DEPARTMENT OF AGRICULTURE Rural Electrification Administration

January 20, 1945

Administrative Bulletin

SUBJECT: REA Loan Policy

Loans may be made by REA pursuant to Sections 4 and 5 of the Rural Electrification Act of 1936, as amended, which sections contain the following provisions:

"Sec. 4. The Administrator is authorized and empowered, from the sums hereinbefore authorized, to make loans to persons, corporations, States, Territories, and subdivisions and agencies thereof, municipalities, peoples utility districts and cooperative, non-profit, or limited-dividend associations organized under the laws of any State or Territory of the United States, for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service: Provided, however, That the Administrator, in making such loans, shall give preference to States, Territories, and subdivisions and agencies thereof, municipalities, peoples utility districts, and cooperative, non-profit, or limited dividend associations, the projects of which comply with the requirements of this Act. Such loans shall be on such terms and conditions relating to the expenditure of the moneys loaned and the security therefor as the Administrator shall determine and may be made payable in whole or in part out of income: Provided, however, that all such loans shall be self-liquidating within a period of not to exceed twenty-five years, and shall bear interest at a rate equal to the average rate of interest payable by the United States of America on its obligations, having a maturity of ten or more years after the dates thereof, issued during the last preceding fiscal year in which any such obligations were issued: Provided, further, That no loan for the construction, operation or enlargement of any generating plant shall be made unless the consent of the State authority having jurisdiction in the premises is first obtained. Loans under this section and section 5 shall not be made unless the Administrator finds and certifies that in his judgement the security therefor is reasonably adequate and such loan will be repaid within the time agreed.

in the season of a structure of the season to the purpose of the season for the purpose of the season for the season of the seas

before any allocation of less famin say no meda, an application therefore much be propered and countries of me proceedies borrower. Applications for lower that less notes and the less had been people from the lower of the less people from the less the less. In commention the same, the same, depending on particular direction to consist on the same representation of the lower of the lower.

- avidação de avididad of despert proposed proposed al
- gineradare call and the commercial process of the commercial of the commercial continuous and continuous conti

Applications for later transform 5 of the Act and indicate, among the solution of the solution

All applications for loans, when received by the agency, shall be entered on a register of and application. Separate registers and los entered on the called for applications and for loans under Section a such Section 5 of the aut. To the exact practicable, applications for loans shall be causaisted in the order in which received.

All material factors entering into the determination of legality and feasibility of a proposed loan shall be taken into account in considering applications for loans. Illustrative of those factors in respect of applications for loans under Section 4 are the following: total estimated cost of construction; miles of line to be constructed; consumers to be served; estimated annual gross revenue; estimated annual expense; required monthly revenue; operating record, if any; an evaluation of the economics of the area proposed to be served; availability of a satisfactory source of power; record of debt service payments; as to proposed acquisitions, condition and earning record of the properties, estimated cost of rehabilitation, and salvage value of material and equipment to be retired; an engineering study if the proposed loan is to finance in whole or in part one or more generating plants; and similar pertinent information according to the circumstances of each proposed allocation.

Following examination of applications for loans, allocation of loan funds may be made on the basis thereof provided they meet all requirements of the law. A recommendation to the Administrator for the making of an allocation shall be accompanied by a docket summarizing the pertinent facts to support the conclusion that the security for the loan would be reasonably adequate and such loan would be repaid within the time agreed. Before any loan is made a certificate shall be executed by the Administrator to the effect that he finds and certifies that in his judgement the security for the loan is reasonably adequate and such loan will be repaid within the time agreed. A budget shall be prepared in connection with loans under Section 4 showing the purposes for which funds are allocated. Illustrative of those purposes are the following: construction, engineering fees, meters, transformers, legal fees, legal expenses, final inspection, construction overhead, insurance. In the granting of an allocation of loan funds under Section 4 it may be specified that construction shall be by the self-help method.

Following the allocation of funds for loans, the necessary loan and security documents must be authorized executed, and the pertinent legal requirements complied with before funds may be advanced to the borrower. Illustrative of these documents, not all of which may be required in respect of a particular loan, are loan contracts, notes, various types of bonds, bond resolutions and other pledges of revenue, trust deeds or mortgages and supplements thereto. The terms of repayment of each loan shall be established taking into consideration the requirements of law and the present and prospective financial condition of the borrower.

Funds shall be advanced on account of a loan only in accordance with the established allotment budget and on the basis of a properly executed requisition and voucher. Such funds advanced must be deposited only in a depository approved by the agency. Original receipts or other acceptable evidence of disbursement by borrowers of loan funds for proper purposes shall be submitted to the agency, together with periodic reports showing the status of funds advanced.

12

par viliage. To mercule out fello of feath ment beneath a to villidit, at the transport of respondents to the control of the c

The less of the control of the contr

rollining the bilancian of frain for horney to revesant loss less arrive described to the particular less less as the particular such as the particular such as the particular such as the particular such as the particular less and the solid such as the required in the particular less, are less contract to the required in the particular less, are less contract to the solid such decks of the particular such fraint particular less than the test of the solid less as the particular less than the particular such that the particular such less than the particular such less and the particular such particular such such such less and the particular such less and such less and the particular such less and the par

Freds that I de advanced or activent of a long only in salariance will has a seculidaded allowest budges and on the bisso of a properly executed recognished and the amount of appealed only to a describer approved in allow approved in the agency. Disjoinal motion of maker a neglectic or ables a neglectic or ables and the artificial of allowed the constant of the activity be adequated to the activity begather with inclosic reports and industrial of made calculations.

Statements of principal and interest balances and amounts due on their various obligations to the agency shall be provided all borrowers.

As an aid to borrowers and to safeguard loans made, the agency shall render them such advice and assistance in connection with proper organization and the design, construction, and operation of electric facilities and related matters as each particular circumstance may justify. Extension of the time of payment of interest or principal of any loans may be granted as provided in Section 12 of the Act. Advance payments on one note may be transferred and applied against other notes of the same borrower held by the Government.

William & Real
Acting Administrator

Statement of principal and comment informers and execute due on their

As an mid to permember and to satigned loses and, the agency that he resigns recipror recipror to consection with proper or satisfactors and the design, consection, and operation of electric facilities and makes as easy permission of electric and facilities. Extending of the time of the time of the time of permission of antended or provided in Sentann 12 of the Arc. Adding any loss and on any provided in Sentann 12 of the Arc. Adding as two and open the contract of the Arc. Adding as two are one of the recipror and equal a peaker are recipror and open and open are assertant and appears as a contract of the recipror and open are assertant and open and open are assertant as the contract of the areas of the recipror and open areas as a contract of the recipror and open areas areas areas areas and any the recipror and any the recipror and any areas areas areas are as a contract of the areas areas are as a contract of the areas areas are as a contract of the areas areas areas are as a contract of the areas areas areas are as a contract of the areas areas areas are as a contract of the areas areas areas are as a contract of the areas areas are as a contract of the areas areas are as a contract of the areas areas are as a contract of the areas are a contract of the

William J. Heal